

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 2556 – SB 2616

June 3, 2010

SUMMARY OF AMENDMENT (019372): Deletes the language of the original bill. Reduces the capital outlay component of the Basic Education Program (BEP) formula by \$14 per square foot for K-4 classrooms and by \$12 per square foot for other classrooms in FY10-11 and subsequent years with the intent that the state share of the BEP formula not include growth in capital outlay. These provisions will not preclude the appropriation of non-recurring funds to the BEP for distribution to local education agencies through the BEP formula. Prohibits records or materials received, developed, generated, ascertained or discovered during the course of fulfilling a grant agreement between a public higher education institution and the Department of Economic and Community Development from being public records. Increases from 11 to 13 the members of the Douglas Henry State Museum Commission and includes the Senate and House Finance, Ways, and Means Committee Chairs. Changes the state employer matching of contributions to the plan permitted under 401(k) of the Internal Revenue Code in FY10-11 and FY11-12 to an amount, if any that is specifically prescribed in the general appropriations act of each year.

FISCAL IMPACT OF ORIGINAL BILL:

Decrease State Revenue – Net Impact - \$45,048,600

Decrease Local Revenue – \$2,168,400

Other Fiscal Impact – Beginning in FY11-12, there will be additional forgone revenue to state and local governments due to the natural growth of taxable food sales. As taxable food sales grow each year, forgone sales tax revenue will increase. Assuming taxable food sales grow by 2.0 percent from FY10-11 to FY11-12, total forgone sales tax revenue for FY11-12 would be approximately \$944,400. Of this amount, the state would forgo approximately \$901,000, and local governments would forgo approximately \$43,400 as a result of state-shared sales tax apportionment. These forgone amounts will increase each subsequent year by the rate at which taxable food sales grow in the future.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Increase State Expenditures - \$700 Each One-Day Meeting

State Expenditures – Cost Avoidance - \$29,600,000/General Fund

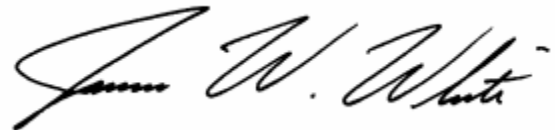
Local Expenditures – Cost Avoidance - \$29,600,000/Permissive

Assumptions applied to amendment:

- The state share of the BEP formula in FY10-11 and subsequent fiscal years will not include growth in capital outlay that otherwise would have occurred. According to the Department of Education, this will result in a cost avoidance of \$29,600,000. The state share is approximately 50 percent of the total non-classroom components of the BEP. Therefore, this would result in a cost avoidance of \$29,600,000 in permissive local expenditures.
- There will not be a significant increase in expenditures to ensure that records or materials received, developed, generated, ascertained, or discovered during the course of fulfilling a grant agreement between a public higher education institution and the Department of Economic and Community Development are not public records.
- The Chairs of the Senate and House Finance, Ways, and Means Committees will serve as voting members of the Douglas Henry State Museum Commission. Travel and per diem expenses for two legislative members of \$679 per meeting (\$185 per diem plus \$154.44 mileage for each member).
- The state employer match will remain at 100 percent of the amount contributed by each eligible employee to the 401(k) plan per month up to a maximum of \$40. This will not result in an increase or decrease in state funds for this program. The estimated cost to continue this at the current level is \$12,250,600.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

/rnc